TSANTSABANE MUNICIPALITY
ANNUAL REPORT 2010/2011 FINANCIAL YEAR

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ANNUAL REPORT FOR TSANTSABANE LOCAL MUNICIPALITY FOR THE 2010/2011 FINANCIAL YEAR.

1.1 MAYORS FOREWORD

We are pleased to present the 2010-2011 Annual Report of the Tsantsabane Local Municipality. The provision of section 121 of the Local Government: Municipal Finance Management Act no 53 of 2003, requires that each municipality must for each financial year prepare an annual report.

The purpose of an annual report is given as follows

- Provide a record of the activities of the municipality during the financial year.
- Report on performance against the budget for the financial year.
- Promote accountability to the local community for the decisions made throughout the year.

The annual report must include the following;

- Annual financial statements of the municipality;
- Auditor-General's audit report in terms of section 126(3) of the MFMA;
- Auditor-General's audit report in terms of section 45 (b) of the Municipal Systems Act no 32 of 2000;
- Annual performance report of the municipality prepared in terms of Section 46 of the Municipal Systems Act no 32 of 2000;
- Assessment of any arrears;
- Assessment of municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) of the MFMA for revenue collection;
- Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports;
- Explanations in connection to financial statements;
- Any information as determined by the municipality;
- Recommendations of the audit committee;
- Any other information as may be prescribed.

Our Council and officials have shown themselves ready to meet our communities expectations for improved service delivery and are responding with imaginative and innovative solutions.

While there is still a long way to go, it is important to recognize the progress that is being made. The following are just a few highlights of the accomplishments and progress made during the 2010/2011 financial year to deliver on our commitments to the approximately 7,700 households of Tsantsabane Local Municipality:

- TM07/2010/11 Upgrading of existing Mechanical & Electrical equipment and Auxiliary works at the Sewer Treatment works. 56% Completed
- Construction of Stasie Street. 100% Completed
- TM 40/2008 Construction of a sewer rising main from pump station 3 to pump station
- 4 and sewer rising main from pump station 4 to sewer treatment works. 100% Complete
- TM08/2010/2011 Construction of sewer network for 212 erven in Boichoko. 20%
- TM04/2008 Bulk water MIG 713 & 420. 80% Completed.
- TM39/2008 Construction of a new Sewer outfall line from Pensfontein to pump station 3.
- Khuting Roads & Storm water. 63% Completed
- TM01/2010 Construction of bulk water supply pipeline from existing two borehols to existing water pipeline.

An uncompromising commitment to quality service is a fundamental responsibility of your local government. Though we have not yet achieved all of the goals that our citizens expect from us, we recognize and reaffirm our commitment to you that service delivery, service quality, and value must continuously be improved. The many strides and improvements that are being made bode well for the future.

Through this report, we place ourselves at, and welcome your judgment. We commit ourself to an even greater focus on listening to and learning from you, the citizens and owners of this municipality. In so doing, we will continue to raise our performance and service delivery to the levels required to meet all our citizens' needs and expectations.

Clr Phete
Mayor
Tsantsabane Local Municipality

1.2 OVERVIEW OF THE MUNICIPALITY

Tsantsabane Local Municipality is located in the Northern Cape Province in the Siyanda District Municipality. The location of office is at the main town Postmasburg which is 200 km west of Kimberley. Its vision is the provision of a better quality of life for all residants of Tsantsabane Municipality. Its mission is to ensure the provision of sustainable, effective and efficient services delivery through sound management of resources.
The Municipal Demacation Board gave Tsantsabane the code NC085 and demarcated it into six wards.
It is classified as a Category B municipality with eleven Councillors.

Councillors as on 30 June 2011 were:

Mayor E. Phete (ANC)
Clr M Oliphant (ANC)
Clr J Tonyane (ANC)
Clr O Kgoronyane (ANC)
Clr T P Phohle (ANC)
Clr Mashilidhili (ANC)
Clr JJ Swart (DA)
Clr J. Rooiland (DA)
Clr NR Pullers (Cope)
Clr SR Browne (Onafh)
Clr O M Mabilo (Onafh.)

Population

Tsantsabane Local Municipality covers an area of 5,887 square kilometers and had a total population of approximately 31,000 according to the 2001 census. Tsantsabane Local Municipality consists of Groenwater, Jenn Haven, Skeyfontein, Boickoho, Postdene, Beeshoek, Newtown, Postmasburg and Glosam. According to the 2001 census, the population in the Tsantsabane Municipal Area is 39% Black, 38% Colored and 23% White.

Females generally represent just over 50% of the population in most of the indicated areas. The figure illustrates that 40% of households in the Tsantsabane Municipal area are female headed.

Employment

The economically active population (people aged 18 and above that are able and willing to work) of the Tsantsabane Municipal area is estimated at 37%. Official unemployment rates are also lower than provincial and national levels at 23% compared to 35% (national) and 29% (provincial).

A total of 16,500 people are estimated to be engaged in the formal sector. The mining sector is the largest employer in this sector, responsible for 36% of formal sector employment. The commercial Services sector is the second largest provider of employment in the Tsantsabane Municipal area with 20%. The agricultural sector provides 12% of formal employment.

Official estimates indicate that the informal sector provides jobs for approximately 900 people in the Tsantsabane Municipal area. Wholesale and retail are responsible for the largest share of informal sector employment with 65%. This is followed by community, social and personal services which occupy 21% of the area's informally employed.

General

Per capita income is higher in the Tsantsabane Municipal area at R20,341, than the national (R14,668) and provincial (R14,269) levels. Mining constitutes a prominent land use in the area, which is home to the Assmang Iron Ore Mine at Beeshoek and the newly established Kolomela under Kumba. Other land use include commercial and game farming.

1.3 EXECUTIVE SUMMARY

1.3.1 Statement of goals and priorities :

The following are overall strategic goals and priorities of the municipality :

- To provide strong civic leadership and good governance which builds stakeholder confidence and engenders a strong sense of common purpose among all stakeholders;
- To transform and build an efficient administration that cares and serves the people of Tsantsabane with excellence;
- Ensure economic growth and creation of jobs;
- Ensure an attractive environment with clean, well kept natural spaces, parks and well maintained built environment;
- Ensure that Tsantsabane is a safe and secure place to live in, visit and do business in;
- All households have access to basic services;
- Contribute to the reduction of HIV/AIDS, teenage pregnancy and crime rate in the communies
- To ensure that the finances of the municipality are managed sustainable.

1.3.2 Statement of the municipality's relative financial viability

The financial position of the council can best be determined by examining the ability of council to meet its short and long term obligations.

- Liquidity is the indicator that determines whether a municipality will be able to meet its short term obligations and is as follows:

$$\text{Liquidity} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The norm for this equation is 2:1. This means the municipality will be able to meet its short term obligations.

- Solvency is the indicator that determines whether a municipality will be able to meet its long term liabilities. It further indicates that if the municipality is dissolved whether the sale of assets will be sufficient to cover long term liabilities like loans.

Solvency can be illustrated as follows:

$$\text{Solvency} = \frac{\text{Fixed Assets}}{\text{Long term Liabilities.}}$$

If the result of this equation is greater than one it indicates that the municipality will be able to meet its long term obligations.

On 30 June 2011 the liquidity and solvency of council were as follows :

$$\text{Liquidity} = \frac{21181313}{63569716}$$

$$= \mathbf{0.3331982} \qquad \mathbf{0.333 : 1}$$

$$\text{Solvency} = \frac{479,826,816}{380000}$$

$$= \mathbf{1262.7021} \qquad \mathbf{1262.7 : 1}$$

- Creditor payment days is 166 days. This means it takes the municipality on average 166 days from date of invoice to settle their outstanding creditors. The norm for municipalities is 90 days. (According to Section 65(2)(e) of the MFMA invoices should be paid within 30 days)

- Debtor recovering days is 496 days. This means a consumer takes on average 1 year and 4 months to settle their municipal accounts. The norm for municipalities is 100 days.

The municipality has put a lot of effort and resources towards the management of its financial resources. A key test for any municipality, apart from its ability to meet its service delivery expectations, is its ability to generate and collect revenue from its citizens. The municipality has continued to focus on the collection of revenue due to it. A number of summonses were issued during the year on certain categories of defaulting customers. This resulted in a number of arrangements being made for payment of debts over a period. The full impact of the Debt Collection Action towards the reduction of the debtor's book will be visible in the next eighteen to twenty four months.

2. ASSESSMENT OF PERFORMANCE.

2.1 Annual performance report for 2010/11

The annual performance report for 2010/11 is included as **Appendix A**. The report addresses the performance achieved and steps that have been taken to improve performance.

2.2 Backlogs

To ensure that minimum services are provided, municipalities need to ensure that service delivery infrastructure is in place and properly maintained. This will require new infrastructure to be built and existing infrastructure to be maintained. Hence there are two components to municipal spending required to eliminate backlogs, new infrastructure and renewal of existing infrastructure. Routine maintenance of infrastructure will also be required to ensure that additional backlogs are not created.

The attached report of Technical Manager provides information, per sector or functional area, to address backlogs through new infrastructure or renewal of existing infrastructure. This information will assist residents and other users of the annual reports to determine, amongst others, the extent of service delivery challenges facing the municipality and how it has performed in addressing those challenges.

3. HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT.

The organizational structure of the municipality consists of a staffing complement of 257. The total number of employees are 237, excluding vacancies.

3.1 Number of staff per function :

TSANTSABANE MUNICIPALITY SUMMARY OF PERSONNEL NUMBERS PER FUNCTION (Full Time Equivalent)	Audited Actual 2010/2011
Municipality	
Councillors (Political Office Bearers plus Other)	11FTC
Senior Managers including Municipal Manager (s 57 of Systems Act)	5FTE
Executive & Council	2 FTE
Finance & Admin - Finance	28 FTE
Finance & Admin - Human Resources	6 FTE
Finance & Admin - Property Services	0 FTE
Finance & Admin - Other Admin	19 FTE
Community & Social Services - Library	13 FTE
Community & Social Services - Cemetery	16 FTE
Housing	2 FTE
Health	6 FTE
Public Safety - Traffic	7 FTE
Sport and Recreation	30 FTE
Waste Management	19 FTE
Waste Water Management - Sewerage	9 FTE
Waste Water Management - Sanitation	6 FTE
Waste Water Management - Purification	6 FTE
Road Transport	26 FTE
Water	16 FTE
Electricity	5 FTE
Other - Workshop	5 FTE
Sub Total - Municipality	
TOTAL PERSONNEL NUMBERS	237 FTE

*** FTE - Full Time Staff Equivalent**

3.2 Skills and level of education attained by staff :

TSANTSABANE MUNICIPALITY SUMMARY OF PERSONNEL NUMBERS - SKILL LEVEL (Full Time Equivalent)	Audit Act. 2010/11
Municipality	
Councillors (Political Office Bearers plus Other)	11 FTC
Senior Managers including Municipal Manager (s 57 of Systems Act)	5 FTE
Other Managers	1 FTE
Technical/Professional Staff	29 FTE
Other Staff (Clerical,labourers etc.)	162 FTE
TOTAL PERSONNEL NUMBERS	182 FTE

*** FTE - Full Time Staff Equivalent**

3.3 Trends on staff expenditure

Description	2010/2011 Financial Year	2009/2010 Financial Year
Staff Expenditure Budget	**30,659,132**	**30,659,132**
Actual Staff Expenditure	**30,875,679**	**24,234,797**
Variance	**0.71%**	**-20.95%**
Percentage of Staff Expenditure as Percentage of Total Expenditure	**21.95%**	**26.98%**

3.4 Pension and Medical Funds

The staff of Tsantsabane Municipality are members of the following pension and medical funds :

3.4.1. Pension Funds

Fund	Members
Municipal Councillor Pension Fund	11
N.F.M.W.	53
Cape Joint Retire Fund	1
Cape Joint Pension Fund	2
Momentum	1
Old Mutual (SALA)	11
Momentum Admin.	3
SAMWU National Provident Fund	74
Total	**156**

3.4.2. Medical Funds

Fund	Members
Discovery Health (LA Health)	36
Continued members - LA Health	11
Momentum Health	1
Munimed	4
Medscheme (Bonitas)	3
SAMWUMED	9
Total	**64**

3.5 Disclosure on Councillors and Senior Management Benefits

The disclosure on Councillor and Senior Management benefits for 2010/11 has been included as **Appendix C and D.**

4. ANNUAL FINANCIAL STATEMENTS FOR 2010/2011.

4.1 2010/2011 Annual Financial Statements

The annual financial statements have been compiled within the prescribed period and is attached hereto **Appendix E**. The financial statements have been prepared in accordance with GRAP statements as required by the MFMA and National Treasury.

4.2 Information on grants

	Grant Details		
	Grant Name/ Purpose / Project	1 Jul 2010 to 30 June 2011	
		REC	SPEND
		R 000	R 000
I	MSIG	750	1,490
II	FMG	1,200	1,942
III	Library Dev	2,110	199
IV	Health Grant	753	748
V	Housing Grant	7,044	8,709
VI	MIG	6,340	3,490
VII	Equitable Share	18,204	18,204
VIII	Other grants	41,366	40,287
		77,767	75,069

I MSIG - Municipal Systems Improvement Grant

Purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act.

Example Development and Implementation of policies and procedures, billing systems, valuation rolls, implementation of Performance Management System, Review of IDP and skills development.

II FMG - Local Government Financial Management Grant

Purpose of the grant is to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Example Upgrading of IT systems, preparation of multi-year budgets meeting uniform norms and standards, implementation of supply chain management reforms, accounting reforms and timely financial statements.

III Library Development Grant

Purpose of the grant is to improve staff capacity at community libraries and library infrastructure development. Additional funding was made available for a e-learning centre.

Example Purchase equipment, purchase of books, community development programs etc.

IV Primary Health Care Grant

Purpose of the grant is to subsidise the provision of primary health care services within the municipal area.

Example Payment of health care officials salaries, purchase clinic materials and maintenance of clinics.

V Housing Grant

Purpose of the grant is for erection of houses and internal services.

VI MIG - Municipal Infrastructure Grant

The purpose of the grant is to supplement capital finance for basic municipal infrastructure. To provide

Example To provide for new municipal infrastructure and rehabilitation and upgrading of existing ones. To eradicate the bucket sanitation system mainly in urban townships. Prioritise residential infrastructure for water, sanitation, refuse removal, streets lighting, solid waste, and bulk infrastructure, and other municipal infrastructure like roads.

VII Equitable Share

The equitable share allocation to the local sphere of government takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities. It consists of the following two components :

1. The basic services component

Municipalities are expected to provide water, sanitation, electricity, refuse removal and other basic services. The purpose of the basic services component is to enable municipalities to provide basic services and free basic services to poor households.

The characteristics of the basic services component are:

- Supporting only poor households earning less than two times state pension.
- Distinguishing between poor households provided with services and those provided with lesser or no services.
- Recognising water reticulation, sanitation, refuse removal and electricity reticulation as the core services.
- Providing for environmental health care services to all households, not only poor ones.

2. The institutional support component

The institutional support component is particularly important for poor municipalities, which often are unable to raise sufficient revenue to fund the basic costs of administration and governance. Such funding gaps make it impossible for poor municipalities to provide basic services to all their residents, clients and businesses. The component supplements the funding of a municipality for administrative and governance costs, but does not fully fund the entire administration and governance cost of a municipality, this remains the primary responsibility of each municipality.

5. AUDITOR GENERAL'S AUDIT REPORTS.

Audit activities by the Auditor-General commenced in April 2012. The audit Reports of the Auditor-General will be received by council during June/July 2012. The Auditor - General's report will be tabled in Council as soos as we receive the report from tho Audito-General.

6. RESPONSE TO ISSUES RAISED IN AUDIT REPORTS.

The Municipality's comments will be submitted to Council as soon as the report has been received.

7. ASSESSMENT OF ARREARS.

Area	90 Days +	60 Days	30 Days	Current	Total
TLM - Exchange T	48,749,732	655,753	1,085,865	1,603,608	52,094,958
TLM - Non Excha	4,563,707	86,493	97,213	93,385	4,840,798
Total	54,055,685	742,246	1,183,078	1,696,993	56,935,756

Provision for bad debts: R33 641 450.

8. FUNCTIONAL AREA SERVICE DELIVERY REPORTING

Comprehensive information regarding service delivery on each functional area are attached as**Appendix H.**

9. CONCLUSION.

The annual report needs to be handled by council in terms of section 129 of the Local Government : Municipal Finance Management Act No 56 of 2003. It is suggested thatMPAC handled this report.